

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOTE-00 INR-10 NSAE-00 RSC-01 FAA-00 FMC-04 CG-00

COA-02 DLOS-07 SWF-02 EA-11 IO-14 AF-10 SP-03 AID-20

NSC-07 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 L-03 H-03 PA-04

PRS-01 USIA-15 DRC-01 /225 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 3968

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E.O. 11652: N/A

TAGS: ETRN, CA

SUBJECT: MARITIME AFFAIRS: LOSS OF COMMONWEALTH
PREFERENCE IF CANADIAN IMPORTS FROM COMMONWEALTH
COUNTRIES TRANSSHIPPED THROUGH USA

PASS ALSO CAB FOR MARY PETT

REF: (A) OTTAWA A-319, JULY 6, 1974

(B) OTTAWA A-631, NOV. 29, 1973

1. DEPARTMENT'S ATTENTION IS CALLED TO FOLLOWING
PARAGRAPH IN PRIME MINISTER TRUDEAU'S CAMPAIGN ANNOUNCE-
MENT AT EDMONTON ON JUNE 12 ON NATIONAL TRANSPORTATION
POLICY (TRANSMITTED WITH REF. A): QUOTE. THE LIBERAL
GOVERNMENT WILL INTRODUCE FURTHER INITIATIVES TO
ENCOURAGE DIRECT SHIPMENTS OF CANADIAN BOUND GOODS
THROUGH CANADIAN PORTS RATHER THAN SEE THEM TRANS-
SHIPPED THROUGH U.S. PORTS. END QUOTE.

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WM AS DEPT AWARE EMBASSY HAS BEEN UNABLE THROUGH ORAL REPRESENTATIONS GOING BACK TO DECEMBER 1970 TO SECURE ANY DIRECT MODIFICATIONS OF EXISTING POLICY (REF B.) IN LIGHT OF POSSIBILITY THAT POLICY MAY BE REINFORCED BY NEW GOC ACTIONS, EMBASSY SUGGESTS THAT IT WOULD BE TIMELY TO REASSESS US POSITION. IN DOING SO, FOLLOWING TRADE AND AVIATION FACTORS SHOULD BE TAKEN INTO ACCOUNT, IN ADDITION TO INTERESTS OF US PORTS;

A. FOR ALL PRACTICAL PURPOSES NO-TRANSSHIPMENT REQUIREMENT NOW APPLIES ONLY TO CANADIAN IMPORTS FROM SOUTH AFRICA, UK AND IRELAND, AND TO GOODS NOT COVERED BY GENERALIZED PREFERENCE SCHEME (GPS) FROM SOME DEVELOPING COMMONWEALTH COUNTRIES, SEEKING ENTRY UNDER PREFERENTIAL TARIFF SCHEDULES. 1973 LEGISLATION ESTABLISHING (GPS) FOR DEVELOPING COUNTRIES CAME INTO EFFECT JULY 1, 1974 AND DOES NOT CONTAIN AN ABSOLUTE NO-TRANSSHIPMENT REQUIREMENT FOR THOSE GOODS ENTITLED TO GPS (SEE OTTAWA A-301, JUNE 24, 1974). AUSTRALIAN AND NEW ZEALAND ARRANGEMENTS PROVIDE BROAD WAIVER AUTHORITY, BUT WE UNDERSTAND THERE IS SIDE UNDERSTANDING THAT CANADIAN PORTS WILL BE UTILIZED TO MAXIMUM EXTENT, AT LEAST WITH RESPECT TO AUSTRALIAN GOODS.

B. MAINTENANCE OF THIS REQUIREMENT MAY PROVIDE CERTAIN ADVANTAGES FOR SOME AMERICAN EXPORTS TO CANADA IN THAT INDIVIDUAL US PRODUCERS, ESPECIALLY IN MID-WESTERN AND SOUTHERN POINTS, MAY BE PRESENTLY MORE COMPETITIVE SHIPPING DIRECTLY BY LAND TO CANADIAN MARKETS THAN ARE OVERSEAS SHIPPERS USING CANADIAN PORTS. THEIR SOUTH AFRICAN, BRITISH AND IRISH COMPETITORS, IF NOT REQUIRED TO USE CANADIAN PORTS FOR OBTAINING COMMONWEALTH PREFERENCE, MIGHT OBTAIN ADVANTAGE BY USING US PORTS-- ESPECIALLY FOR CONTAINER MOVEMENTS. EVALUATION OF THIS WOULD HAVE TO BE MADE ON CASE-BY-CASE BASIS.

C. US AIR CARRIERS-- AS WELL AS US PORT INERESTS-- MIGHT OBTAIN SIGNIFICANT ADVANTAGE FROM BEING ABLE TO CARRY CANADIAN IMPORTS TO INLAND US POINTS(E.G., BUFFALO AND DETROIT) FOR SURFACE TRANSSHIPMENT TO CANADIAN MARKETS (E.G., TORONTO AND SOUTHWEST ONTARIO).

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EM STATISTICS ON EXTENT AND NATURE OF CANADIAN IMPORTS FROM SOUTH AFRICA, UK AND IRELAND CAN BE FOUND IN CERP ITEM 325 (TRADE OF CANADA: IMPORTS BY COUNTRIES).

4. COMMENT: IN BRIEF DISCUSSION WITH SENIOR FINANCE DEPARTMENT OFFICIAL CONCERNED THIS QUESTION, TCO WAS TOLD NO EFFORTS YET UNDERWAY DEVELOP SPECIFIC INITIATIVES ENCOURAGE DIRECT SHIPMENTS. SOURCE ALSO SUGGESTED

EASIEST WAY OF MEETING PRIME MINISTER'S PRIMISE MIGHT
BE LARGE-SCALE GOC PUBLIC RELATIONS CAMPAIGN AIMED
DIRECTLY AT IMPORTERS. EMBASSY WILL CONTINUE TO KEEP
CLOSE WATCH ON DEVELOPMENTS AND WOULD APPRECIATE ANY
GUIDANCE DEPT MAY WISH TO PROVIDE.

PORTER

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